



Arizona

Benefits From Exports

Arizona export sales of merchandise for the year 2000 totaled \$10.0 billion, down marginally from its 1999 level of \$10.1 billion, but up by nearly 73 percent from the state's 1993 total of \$5.8 billion.

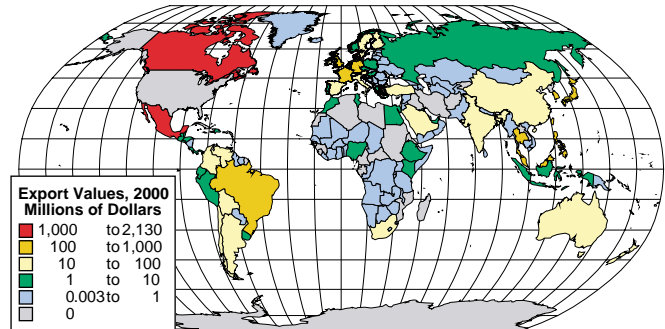
Over the 1993–2000 period, exports have become increasingly important to Arizona's economic well-being. In 1993, per capita merchandise exports were \$1,467 for every Arizona resident. By the year 2000, despite Arizona's large population increase, per capita exports had increased to \$1,948—a 33 percent increase.

Arizona exports globally to 170 foreign destinations. The state's leading markets, by far, are the NAFTA countries of Mexico (21 percent of 2000 exports), and Canada (15 percent). Other top markets—each with over \$500 million in exports—include Taiwan, Malaysia, and the United Kingdom.

Arizona's biggest growth market, in dollar terms, is Canada. From 1997 to 2000, export sales to Canada increased from \$1.07 billion to more than \$1.5 billion. Arizona also posted big dollar gains in sales to Thailand, Brazil, and Mexico.

ARIZONA EXPORTED GOODS WORTH \$10 BILLION TO 170 FOREIGN MARKETS IN 2000

Dollar Value of Arizona's Merchandise Exports to Foreign Markets, 2000



Source: U.S. Department of Commerce, Exporter Location Series.

The state's leading export category is computers and electronic products, which accounted for \$5.1 billion, or slightly more than half, of Arizona's total merchandise exports in 2000. Other major export products—each with over \$250 million in 2000 sales—included transportation equipment; industrial machinery; fabricated metal products; electrical equipment, appliances, and parts; and chemical manufactures.

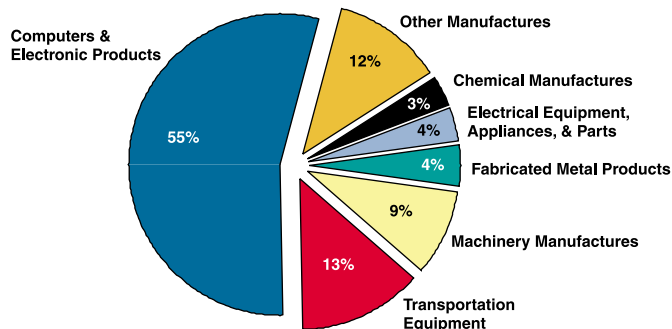
Within Arizona, the Phoenix-Mesa metropolitan area posted 1999 exports of \$7.5 billion—about three-quarters of the state total, 67 percent higher than the metro area's 1993 exports, and the 19th largest export total among the 253 U.S. metro areas for which statistics are available.

Elsewhere in Arizona, the Tucson metro area posted 1999 export sales of \$1.06 billion—up 119 percent from 1993 and the 39th largest percentage gain nationally over this time period.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs supported by merchandise exports range 13–18 percent higher than the national

ARIZONA EXPORTS A WIDE RANGE OF MANUFACTURES: \$9.4 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

average. Export-supported jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), Arizona depended on manufactured exports for 111,300 jobs. Export-supported jobs accounted for an estimated 6.4 percent of Arizona's total private sector employment.

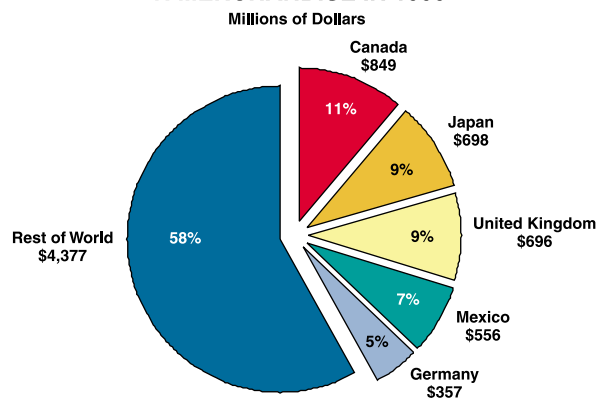
Manufactured exports supported about 40,900 jobs—more than one of every five jobs—in Arizona's manufacturing industries. Almost 80 percent of the state's export-related manufacturing jobs were in four industries: computers and electronic products, transportation equipment, fabricated metal products, and primary metal products.

Exports of manufactured goods also indirectly supported 70,400 jobs in the state's nonmanufacturing industries. These industries supply manufacturers with a wide variety of inputs needed to product goods for export.

Exports Help Small Business

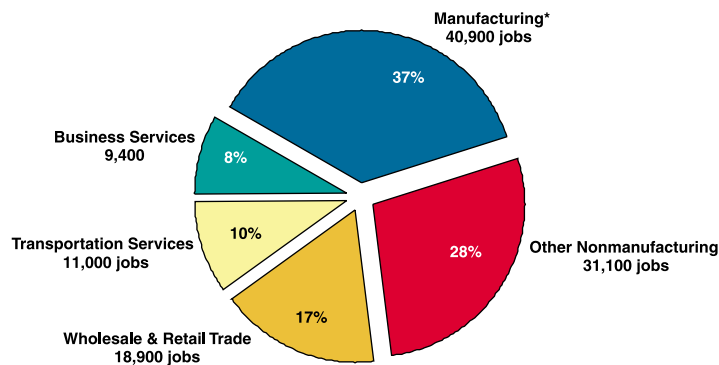
Exports have broadly benefited Arizona businesses—both large and small. A total of 3,909 companies exported from Arizona locations in 1998. Nearly 84 percent of these companies, accounting for roughly 19 percent of the state's total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, nearly 74 percent

PHOENIX-MESA EXPORTED \$7.5 BILLION IN MERCHANDISE IN 1999



Source: U.S. Department of Commerce, Exporter Location Series.

111,300 ARIZONA JOBS DEPENDENT ON MANUFACTURED EXPORTS IN 1997



*Includes 300 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

of all Arizona exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide.

In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

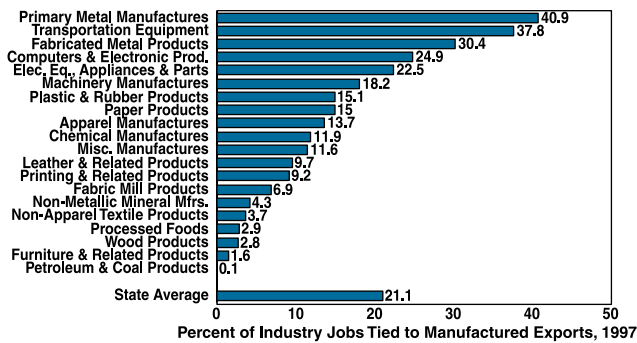
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or "fast track") is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

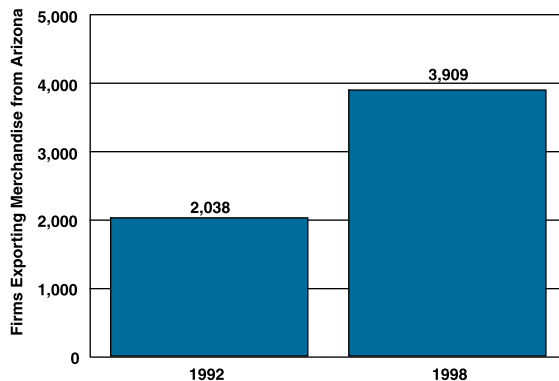
TPA preserves the ability of the United States to protect public health, safety, and the environment.

MORE THAN ONE-FIFTH OF MANUFACTURING JOBS IN ARIZONA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 21.1 percent of the 193,600 manufacturing jobs in Arizona were tied to manufactured exports—some 40,900 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM ARIZONA ROSE 92 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

Arizona Industries Can Gain From Trade Negotiations

Arizona exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit Arizona businesses across many industrial sectors.

Information technology. Arizona's high-tech businesses are beneficiaries of the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such nontariff restrictions as redundant testing and certification requirements. U.S.

suppliers, including those in Arizona, would likely see sales rise if remaining barriers on IT products were eliminated. Heavy investment in research and development, which drives IT growth and employment, can only be sustained with expanding markets that spread R&D investments over a growing sales volume. Foreign markets are thus increasingly important to any R&D-based products, given the limits of domestic demand.

Civil aircraft and parts. The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States were exported. The World Trade Organization (WTO) Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their components by the 26 signatories to this agreement. However, import tariffs in nonsignatory countries remain as high as 30 percent. Also, a number of nontariff barriers impede Arizona's exports of civil aircraft and parts. For example, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

Industrial machinery. Further reductions in tariff and nontariff barriers through new negotiations would greatly expand opportunities for Arizona's machinery exports. While the state's industrial machinery exporters have benefited from tariff reductions in previous trade agreements, the

ARIZONA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of Arizona goods and services.

Arizona exporters still face major trade barriers in such sectors as information technology, civil aircraft and parts, industrial machinery, and scientific equipment.

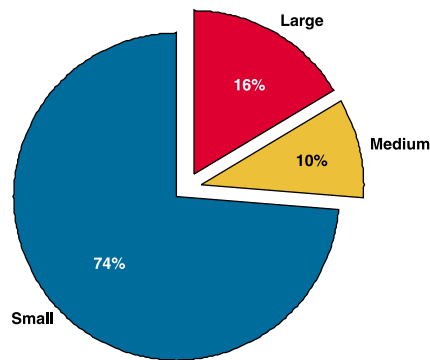
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

Arizona's economy is export-dependent, with export sales of \$1,948 for every state resident.

More than 111,000 Arizona jobs depend on exports of manufactured goods.

3,909 companies—including 3,268 small and medium-sized businesses—export from Arizona.

84 PERCENT OF ARIZONA'S 3,909 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

industry continues to face barriers in many markets throughout the world. For example, tariffs on industrial machinery are as high as 30 percent in Brazil and India. This sector also suffers from the many import restrictions maintained in potentially lucrative markets, including nontransparent and preferential government procurement practices, deficiencies in intellectual property protection, investment barriers, and the increasing use of standards as nontariff barriers to trade. In addition, restrictions on the ability to provide after-sales service greatly inhibit market access for U.S. manufacturers of complex machinery.

Scientific equipment. The United States is the world's largest exporter of scientific equipment. Arizona's exporters of these products would benefit from market opening initiatives, particularly tariff reductions that could result from a new WTO round. Tariffs on scientific equipment in many Latin American countries range from 4 percent to 25 percent, while those in some East Asian countries approach 40 percent. In addition to tariffs, exporters of scientific equipment also face nontariff restrictions such as cumbersome customs clearance and certification requirements.

Agriculture. Arizona produces and exports agricultural products. According to the U.S. Department of Agriculture, Arizona's agricultural exports totaled \$333 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 15 percent to 22 percent as measured by export's share of farm cash receipts. Arizona's top agricultural exports are vegetables and products, cotton, fruits and products, live animals and red meats, and planting seeds. Arizona already benefits

from past trade agreements; however, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to Arizona

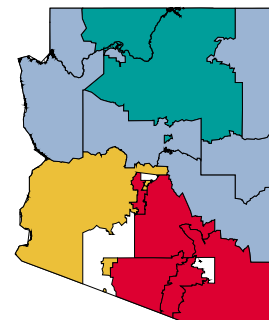
While exports generate clear benefits for the Arizona economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in Arizona, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in Arizona with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER ARIZONA

Arizona's Merchandise Exports by Three-Digit Zip Code, 1999

1999 Export Values
Millions of Dollars

1,000 to 3,750
100 to 1,000
25 to 100
9 to 25
0



Note: Arizona's total merchandise exports in 1999 were \$10.1 billion. Unshaded areas represent national forests and parks, federal and military reservations, localities without exports, and areas where export data are suppressed due to federal disclosure regulations. Shading of zip codes 506 & 507 refers to combined exports from these areas.

Source: U.S. Department of Commerce, Exporter Location Series.